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The professional status of securities salesmen

New York

1920

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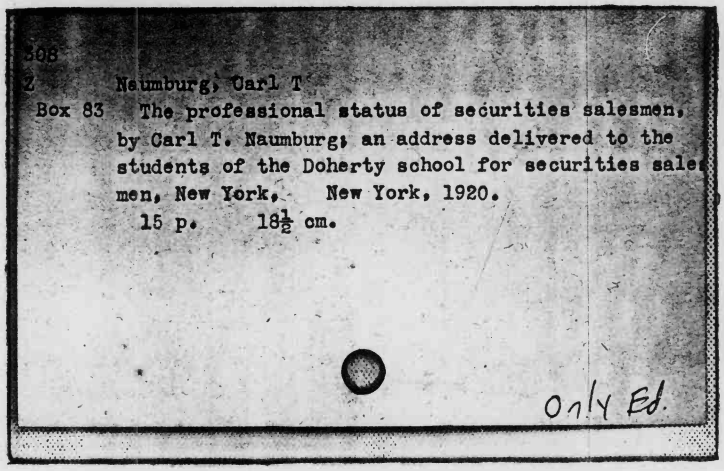
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Naumburg, Carl T
The professional status of securities salesmen, by Carl T. Naumburg; an address delivered to the students of the Doherty school for securities salesmen, New York, New York, 1920.
15 p. 18½ cm.
Only Ed.

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TECHNICAL MICROFORM DATA

FILM SIZE: 35 mm REDUCTION RATIO: 9:1 IMAGE PLACEMENT: IA (IIA) IB IIB

DATE FILMED: 2-27-97 INITIALS: MS

TRACKING # : 21902

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The Professional Status of Securities Salesmen

BY

CARL T. NAUMBURG
Assistant Manager, Bond Department
Henry L. Doherty & Company
New York

AN ADDRESS DELIVERED TO THE STUDENTS OF THE DOHERTY SCHOOL FOR SECURITIES SALESMEN, NEW YORK

NEW YORK
1920

14 June 1920 Spo

THE PROFESSIONAL STATUS OF SECURITIES SALESMEN*

Introduction

It is a great privilege to have a chance to be among you and to meet you personally. I feel that I have been rather unfortunate in that I have not been able to attend any of these sessions—except the first—up to the present time. I have, however, been privileged to discuss the course with a great many of the individuals who are taking this course with Doctor Fuld. So I feel that, although I have been "out of luck" because I have been unable to be more with you personally, I have a rather thorough knowledge of a great many of the individuals here and, as I have already said, I feel very rarely privileged that I have an opportunity to reach you today on a more personal basis than heretofore.

Selling Intangibles

The three hardest things to sell are the intangibles—insurance, advertising and securities. The man who is selling a commodity has a sample, the engineer who is selling machinery has specifications; but the man who is selling something that is intangible, such as a bond or preferred stock,

or any other form of investment issue, is forced to sell entirely upon the impression which he can create, the confidence that his personality inspires, and the fiduciary relation which he can establish with his client.

Profession of Securities Selling

Securities selling today has assumed the status of a profession. There should and there does exist among the high-type securities salesmen the same relation with their clientele that a lawyer enjoys with the clients whom he serves, or the physician attains with the patients whom he treats.

The business of securities selling has risen in the last decade from a rather hit-and-miss, exceedingly unscientific business, to a profession that is upon as high a plane as those who enter it choose to make it. And it rests with the individual to raise it to that plane. Just as the lawyer of a lower type can drag down his profession, and the quack doctor can prostitute medicine, so the securities salesman whose ethics are not of the proper standard can bring into disrepute the ethics which the men who endeavor to elevate their profession attempt to establish.

Honesty

I have always felt that there were certain well defined assets of the professional securities salesman. The very highest of those, gentlemen, of course is the attribute of honesty, and that is of the sort that is so self-evident it requires no further explanation. With that is coupled self-respect, which in the final analysis is an attribute of honesty.

Sincerity

The second is that of sincerity. Sincerity covers a *great, great* many points. It covers in the first place the fact that the man has the knowledge of that which he offers, because a man cannot be effective in his presentation from his point of view unless he can carry with his presentation sincerity, which is predicated upon knowledge of the security which he offers; and in order to be successful with himself and with his client that knowledge is a prime and absolutely indivisible essential.

Earnestness

Now, earnestness is an essential which must not be overlooked. Unfortunately in the profession of bond selling, as in many many other fields of endeavor, we have the "line-of-least-resistance man," the man who goes into the business with the idea that it is a nice gentlemanly occupation, that the hours are from nine to five, that he meets the highest type of people—all of which is true. But the progress which that man makes is circumscribed by his mental attitude.

Solicitors vs. Salesmen

I was going over to Philadelphia last Tuesday morning and I happened to meet a very good friend of mine, one of the junior partners of a well known and well established Philadelphia banking house; and he was talking about how his Bond Department had grown. I asked him "How many bond salesmen do you employ?" And he said, "We have four salesmen, but", he said "we have got an awful lot of solicitors."

Now, that well describes what the average sales manager in this game of ours is up against. The solicitors are the sort of men who get into the game for reasons I have just described, and at the end of five years they are just exactly where they were at the end the first five weeks. And, gentlemen, there is nothing further that need be said, I think, in regard to a man of that sort.

Industry

Industry, of course, is a prime essential. The security salesman who gets ahead today professionally is the man who is tireless, the man who is willing to make his first call at eight-thirty a. m. and is still going at ten-thirty p. m., if there is a chance to "land" somebody. And he must not only have industry, but that industry must be coupled with imagination, the imagination which will lead him to seek out prospects where his competitors cannot find them, the man who, if he comes into an office and sells the head bookkeeper, is willing to go all the way down the line of desks to get every assistant bookkeeper as a security buyer. The attribute of courage I should have placed before in this list of attributes, which are all practically co-equal.

Courage

The business of security selling, or the profession I should say, is no place for the man who lacks courage. Security markets go through certain well defined waves and cycles which move with the industrial prosperity or corresponding depression which the country undergoes. The man who is lacking in courage has no place in the profession;

because unless he has the courage to believe in himself, to believe in the prosperity of the enterprises whose securities he presents, in the prosperity and ultimate success of the house that he represents—at the first sign of trouble his mental attitude will be so thoroughly upset by pessimistic newspaper articles or the thousand and one influences that he meets day by day, that unless he has the courage to believe in himself and all those things I have mentioned he will reflect what he hears.

Optimism

There is not anything in the world more useless than a pessimistic securities salesman, because once his enthusiasm is lost, once he allows that pessimism to get the better of him, he had better, for his own sake and the sake of his clientele and his professional reputation, take a vacation until he gets hold of himself.

Technical Knowledge

I have already spoken of the attribute, or rather asset, of knowledge, which is fundamental and which can only be acquired by the most painstaking and unremitting study—which means not only studying your securities, but also studying general financial conditions, the state of the money market, the state of exchange, the state of a thousand and one things which are matters of public interest and which are of vital importance to the intelligent securities salesman in making an analysis of business conditions.

Fiduciary Relation

The most important factor for the security salesman to establish at the very outset of his career

is that fiduciary relation with his clientele of which I have spoken. The profession of security selling has branched out along two well defined and distinct lines. We have the one school that regards a security as a piece of merchandise and considers security selling a merchandising proposition. We have the other school that has built up its business, as we in the Doherty Organization have done, along the well defined lines of establishing a fiduciary relation with each and every prospective and actual customer with whom we come in contact. Let me dwell for a moment upon the results of the two types of selling. The man who follows the merchandising principle of security selling is absolutely disregarding and discarding forever the best asset which the securities salesman has, and that is establishing that close and intimate relation with his client for which there is no substitute.

Flattery

You and I all know that the human mind is susceptible to flattery, either expressed or implied. If we do not admit this, we are lacking in frankness to ourselves. We like to go into a hotel to which we are accustomed in the course of our travels and see somebody behind the desk who as you register will shake you by the hand and recognize you and call you by name. If you are a member of one or more clubs you will instinctively go to dinner at the club where you know the most people and where every employee from the steward down knows you. Now, that extends through every human relation and through every possible walk of life, and the man who regards a security as a chattel and the salesman as a mere vehicle of disposing of that chattel is, as I have said,

discarding the most priceless asset which a security salesman can ever have.

Order-Taker

A word more on the professional relation. Unfortunately there has cropped into the securities selling profession the man whom I have described, the "order-taker," the man who joins some large organization and becomes an animated parrot, who at certain well defined intervals is taken into a salesmen's meeting or taken individually into the office of some adroit, clever, quick-thinking, clear-talking sales-manager and has his tires of enthusiasm pumped. That man is a human parrot—nothing else. If he goes into the office of an astute client, he has not the ghost of a chance to do anything except just hand out that glib patter that has been given to him, which he repeats by rote, remembering all his mind will retain and trusting to the Lord that he will remember most of it. And when he is asked an intelligent question he has got to "take the count." He has not developed the power of intelligently discussing the topics of the day, which have a direct bearing upon securities selling; he is just a "total loss", and that kind of a man, as I have already said—and please bear with me in my repetition—in five years will be just where he was at the end of five months. He is an "order-taker." His house is carrying him on its reputation; he is not one step further ahead in his profession than he was the day he entered it.

Importance of Profession

Gentlemen, I do not want to take up too much of your time, because you have a trip of very rare

interest before you this afternoon; but I want to take the liberty of trespassing upon your time long enough to read an extract from a little paper which I once prepared when we were starting the very elementary school among our own employees which from a thought has developed into this most successful institution which Doctor Fuld has founded. The idea that I have in mind is to reiterate the fact that in all forms of industry the securities salesman plays a most important part. We hear of the marvelous strides which have taken place in engineering and in public utility engineering particularly, in the oil industry, what the chemist is doing, what the construction engineer is doing. But, gentlemen, do not forget that what has been accomplished by these specialists in their own lines has been made possible by the money which the securities salesman has raised by selling the issues of the companies under development.

"A securities salesman cannot succeed unless his presentation, presence and judgment are such that they will impress and convince those to whom he offers his wares. His salesmanship must be of the highest, since he deals in something which is intangible and which is not a commodity. His conscience must be ever active so that his clients will trust and follow him and no other. He must be able to resist the temptation of sharp practice in the face of bitter competition and beware of the pitfall of offering second-rate securities with long profits. He must be of good cheer and of courage through all conditions of world finance, and his courage, always tempered by judgment rather than impulse, must be of the sort that commands respect and brings him business. It is, of course, obvious that he cannot have these attributes unless his belief in his house and his security is so implicit that no shadows of doubt

nor question ever enter his mind to cloud his selling enthusiasm.

"Fortunately the bond salesman who lacks the above attributes and who is deficient in real liking and interest for his profession does not endure in this field of endeavor. The salesman who regards those with whom he deals as victims, "suckers" in the vernacular, rather than clients, is doomed to failure in his inability to again sell investors to whom he has already sold securities. A reputation for unswerving and persistent loyalty to house and customer is a bond man's most priceless asset and of more value than any other quality."

Ability to go Back

In that connection—and I am afraid I am rather jumping from one subject to another, but I have struck a reminiscent vein—I remember the most marvelous bond man I have ever met was one who could go into a community once and could sell more securities than any human being that I have ever seen, but he could never go back unless he had full militia protection. That man was the most magnificent, monumental and outrageous liar that I have ever known, and today he has dropped from the pinnacle of his profession to where there is not a single house of any reputation or of any decency that will employ him, simply because in his greed to do business he made statements of a nature that he has never been able to substantiate and that has made it absolutely impossible to resell anybody he has once sold.

Defending the Profession

Now, gentlemen, there are other attributes that a bond salesman or a securities salesman must have. His purpose should not be entirely selfish,

that of merely selling, but it should be sufficiently broad-gauged to realize that there are certain duties that he owes his profession and the community at large. He should resent, and resent very keenly, any man who makes an accusation against the profession of bond selling or upon the good name of finance. For example, he should do just as I heard a friend of mine do the other day, very vigorously call down a third party who made a slurring remark about the financial district in general, which I really think he made in more or less of a joke, by saying that Wall Street was no place for him, because it had a graveyard at one end and a river at the other. But it simply illustrates the point that there is a great deal more in security selling from an ethical standpoint than actually placing securities in a conscientious manner. It means taking upon yourself the burden of upholding and defending the prosperity, the future and the good name of our country—and all that a very broad interpretation of this suggestion implies.

Client Always Right

Just a word as to what I have always considered the proper relation of the bond man to his client. One of the greatest hotel businesses that has ever been established was built up on the theory that the guest was always right. In our profession the client is always right, up to the point where any aspersion is cast upon the house which we represent. Now, if you can reconcile those two statements, gentlemen—and I know that you can—you will, I think, have the idea of just what our relations with our clientele should be.

A bond man should resent and resent just as

keenly any slur upon the fair name or the reputation of his house as though he himself were deliberately accused of business dishonesty. You gentlemen cannot imagine, and you will have to take my word for it, because I have been in the game just long enough to see how it works out, how much respect loyalty and enthusiasm compels. That is one thing which will never be discounted; it is one thing which will always command respect. They may laugh at you kindly for being enthusiastic about your house, but they will respect you for it just the same, gentlemen, and that respect is something which you can value more than almost any other attribute with which your clientele may see fit to endow you.

Loyalty

Gentlemen, loyalty is a most priceless asset when coupled with honesty, the most priceless we have. If a man cannot be loyal he is better off dead. If a man cannot get up each morning and feel that everything is right between him and those with whom he is associated his day will start with a cloud, and that cloud cannot be dispelled until that mutual understanding which begets loyalty has been established again so firmly that it cannot be shattered. It is not a question, gentlemen, of what we are making, of whether business is good or whether business is on one of its periodic declines. It is recognized that when we accept employment from a house—whether we are making one dollar a month or whether we are making ten thousand—that house is entitled to the fullest degree of loyalty and of persistent effort and of enthusiasm and enthusiastic performance, no matter what the conditions may be. For, irrespective

of the amount of compensation, whether it be one dollar or ten thousand dollars, as long as that compensation is accepted, fully one hundred, and never less than one hundred per cent. of loyalty is fair to both contracting parties, the house and the salesman.

The Discourteous Client

I will never forget one experience when a bond man came in to me and told of a particularly discourteous bit of treatment which he had received on the part of a prospective customer. He told me with rather a smug grin that he had asked that man whether he had sworn off courtesy for Lent, and then went out and slammed the door. Now, he thought that was a very pat example of slapstick repartee. He felt better, he got it off his chest; but could he ever go back and see that man? Think of that. If the man were willing to see him, granting that for the sake of argument, could he establish that relation that is necessary in order to build up successful business between the two?

Our Own Issues

Gentlemen, we have one advantage here, or rather the man who sells the securities of Henry L. Doherty & Company has one advantage greater than that of the average banking house, and that is the fact that our security offerings are based entirely upon issues with which our name is directly identified. The average house having a diversified list of municipals, railroad, industrial and various forms of corporation bonds is lacking in that which is our greatest asset and which always will be—

the fact that every security which a representative of the Bond Department of Henry L. Doherty Company will ever have to offer is backed by the Doherty Organization in its entirety, as bankers, as engineers, as operators, as fiscal agents. We have to live with that security through its life. This is not the case that prevails among the average bond houses, when they buy an issue, forget about it and have no further interest in it except to say that they had successfully underwritten and sold it. We must live with our securities, every one of them, through their corporate life. And it is the greatest asset we can possibly have; it is the greatest asset you can present to your clientele—the fact that each and every security with which our name is identified and which we will have to offer is the security in which every department of the House of Doherty is interested.

Doherty Organization

Just a word about our own Organization. I was showing a friend of mine through the office not long ago and I asked him what his impressions were, and among the many flattering things he said there were two remarks which he made which stood out in my mind. He said, "I have never seen the door of the office of an executive of the Doherty Organization that was closed". And he said, "I have never seen any Organization where as many of the executives had hanging in their private offices, pictures of their fellow executives".

Doherty Spirit

Mr. LePorin has told you about the Doherty spirit. Anything further is superfluous.

Now, gentlemen, we who place the securities with which the name of Doherty is identified and who feel and live in that Doherty Spirit, let us carry that same spirit of the open door and the picture on the wall to our clientele. I thank you.

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